MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BAC1034 – PRINCIPLES OF FINANCIAL ACCOUNTING

(All sections / Groups)

18 October 2016
9.00 a.m – 11.00 am
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 6 printed pages excluding cover page with 4 questions only.

2. Answer **ALL** questions. Marks are shown at the end of each question.

3. Answer in the answer booklet provided.

QUESTION 1

Clearwater Sdn. Bhd. is a merchandising company which has business operations in Putrajaya. The following balances have been extracted from the books as at 31 December 2015.

	Debit (RM)	Credit (RM)
Land	900,000	
Building	240,000	
Machinery	60,000	
Accumulated Depreciation:		
Building		72,000
Machinery		11,400
7.5% Loan from Maybank, 10 Years		350,000
Bank overdraft		45,000
Cash	36,000	
Account receivable	122,800	
Inventories, 1 Jan	117,200	
Account payable		65,000
Dividend	60,000	
Common stock		800,000
Supplies	110,000	
Carriage outwards	40,000	
Carriage inwards	9,600	
Return inwards	2,000	
Purchases and sales	440,000	980,000
Discount allowed	45,000	
Salaries expenses	150,000	
Bad debts	10,000	
Prepaid insurance	36,000	
Interest expenses	13,125	
Telephone and internet charges	5,000	
Rental and maintenance	36,000	
General expenses	55,800	
Retained earnings, 1 Jan		165,125
	2,488,525	**2,488,525**

Additional information:

1. Closing inventories as at 31 December 2015 was valued at RM50,000.
2. A count on supplies on 31 December 2015 revealed RM60,000 worth still on hand.

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3. Half of the interest on loan has not been paid for the year.
4. Commission received RM15,000 has not been included and no entries had been recorded in the books.
5. Depreciation was to be provided:
   Building 2% on cost
   Machinery 10% on reducing balance
6. Telephone and internet charges outstanding amounted to RM1,300.
7. The prepaid insurance is for a 12-month policy purchased by cash on 1 March 2015. The policy is effective from 1 March 2015.

Required:

a) Prepare the income statement for the year ended 31 December 2015. (11 marks)

b) Prepare the retained earnings statement for the year ended 31 December 2015. (5 marks)

c) Prepare the balance sheet as at 31 December 2015. (9 marks)

(Total: 25 marks)

QUESTION 2

a) Michell Lee Trading has been in the business for more than 5 years. The following transactions for the month of January 2016 are as follows:

1	Balance as per cashbook: Bank RM4,900 and Cash RM8,500.
3	Bought goods on credit from Ali Bhd, RM3,500.
8	Cash sales, RM2,350.
11	Received a cheque for RM2,500 from Jasmine to settle an invoice of RM2,700.
14	Bought a computer RM4,100 by cheque for office use.
17	Paid personal insurance of RM320.
18	Sold goods on credit to Siva, RM600.
20	Paid for RM1,600 to Cristine after deducting 5% discount.
21	Transferred cash from office to bank, RM5,500.
25	Purchases made by cheque amounting to RM600.
26	Paid Benjamin Trading a cheque of RM950 after deduction of RM30 cash discount.
27	Michell Lee introduced further capital of RM6,300.
28	Interest on fixed deposit from CIMB Bank, RM2,700.
30	Received cash of RM1,000 from Maria as a loan.

Required:

Prepare a three-column cashbook. (15 marks)

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b) Sweety Enterprise reports the following for the month of June.

Date	Explanation	Units	Unit Cost	Total Cost
June 1	Inventory	225	RM5	RM1,125
12	Purchase	525	6	3,150
23	Purchase	750	7	5,250
30	Inventory	330		

Assume a sale of 570 units occurred on June 15 for a selling price of RM8 and a sale of 600 units on June 27 for RM9.

Required:
Calculate the ending inventory and cost of goods sold under perpetual inventory system using LIFO method. (10 marks)

(Total: 25 marks)

QUESTION 3

a) Presented below are the selected list of events and transactions occurred during the year 2015 for a business.

1. If the assets owned by a business total RM100,000 and liabilities total RM65,000, stockholders' equity totals RM25,000.

2. Explanatory notes and supporting schedules are an optional part of an annual report.

3. For information to be useful, it must be both relevant and faithfully representative.

4. The periodicity assumption states that the business will remain in operation for the foreseeable future.

5. A debit to an account always indicates an increase in that account.

6. Unearned service revenue is classified as a liability on the balance sheet.

7. Adjusting entries are recorded in the general journal but are not posted to the accounts in the general ledger.

Required:
Identify whether the above statement is **TRUE** or **FALSE**. (7 marks)

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b) "A fraud is a dishonest act by the employee that results in personal benefit to the employee at a cost to the employer". Fraud experts often say that there are three primary factors that contribute to employee fraud.

"Companies generally design their systems of internal control to provide reasonable assurance of proper safeguarding of assets and reliability of the accounting records" The concept of reasonable assurance rests on the premise that the costs of establishing control procedures should not exceed their expected benefit.

Required:

1. Identify and discuss the **THREE (3)** factors that contribute to the fraud at most companies. (6 marks)
2. Discuss the **TWO (2)** limitations of internal control. (6 marks)

c) Presented below is financial information for two companies.

	ABC Berhad	**XYZ Berhad**
Sales revenue	RM56,000	?
Return inwards	?	5,000
Net sales	50,000	80,000
Cost of goods sold	33,000	?
Gross profit	?	32,000
Operating expenses	12,000	?
Net income	?	**14,000**

Required:
Compute the missing amounts. (6 marks)

(Total: 25 marks)

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QUESTION 4

Presented below are the financial statements of Forest Wood Berhad.

Comparative Balance sheets

	2015	2014
Assets	**RM**	**RM**
Equipment	159,000	102,500
Accumulated depreciation - equipment	(22,000)	(20,000)
Investment	39,750	53,500
Inventory	62,250	51,325
Account receivable	31,600	18,500
Cash	46,800	16,700
Total Assets	**317,400**	**222,525**
Liability and Equity		
Account payable	28,300	24,140
Accrued expenses payable	7,550	9,415
Bond payable	70,000	35,000
Common stock	125,000	100,000
Retained earnings	86,550	53,970
Total Liability and Equity	**317,400**	**222,525**

Income statement
For the year ended December 31, 2015

	RM	RM
Sales revenue		148,750
Less:		
Cost of goods sold	49,730	
Operating expenses, excluding depreciation	9,835	
Depreciation expense	12,500	
Loss on disposal of plant assets	2,500	
Income tax expense	18,635	
Interest expense	1,470	94,670
Net income		**54,080**

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Additional information:

1. New equipment costing RM74,500 was purchased for cash during the year.
2. Investment were sold at cost.
3. Equipment costing RM18,000 was sold for RM5,000, resulting in a loss of RM2,500.
4. A cash dividend of RM21,500 was declared and paid during the year.

Required:

a) Prepare the statement of cash flows for 2015 using indirect method. (19 marks)

b) Compute the following liquidity ratios for 2015:

(i) Current ratio. (3 marks)

(ii) Inventory turnover. (3 marks)

(Total: 25 marks)

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